INPUT° IT Intelligence Services

400 Frank W. Burr Blvd.
Teaneck, NJ 07666
Tel. (201) 801-0050
Fax (201) 801-0441

FAX TRANSMITTAL FORM

Date: 2/9/95

Confidential: Y / N
Urgent: Y / N

To: Name: Renee

Tel./Location: _____

Co.: _____

Page: 1 of 9

Fax No: _____

File: Chron

From: Name: Yvette

Contact

Subject: Toy Ey. - EDS

Other:

Good Morning.

TELECOPY TRANSMISSION

EDS Market Development
Plano, Texas

EDS PRIVATE: Yes _____   No _____

DATE: _Feb. 7, 1995_

PERSON RECEIVING FAX: _Thomas O'Flaherty_

RECEIVING FAX NUMBER: _(201) 801-0441_

PERSON SENDING FAX: _Barry Sullivan/Kathlyn Crabtrey_

TELEPHONE NUMBER: _(214) 605-6500_

FROM FAX NUMBER: _(214) 605-6502_

TOTAL NUMBER OF PAGES (Including Transmittal Sheet) _6_

COMMENTS:

_Tom, I'm faxing you a signed copy
of the proposal. I'll send the
original along with a check for
$14,000 as soon as I receive the
check from accounts payable. Barry_

Revised
Proposal

ORGANIZATION DEVELOPMENT MICROSOFT

Submitted to

ELECTRONIC DATA SYSTEMS

February 6, 1995

Submitted by

INPUT

Atrium at Glenpointe
400 W. Burr Boulevard
Teaneck, NJ 07666

201-801-0050
Fax: 201-801-0441

HOW CAN EDS COMPLEMENT MICROSOFT?

I.   OBJECTIVE

The objectives of this study are to provide

- An understanding of Microsoft's' current and future strategies, especially in relation to the services business;

- An evaluation of the resulting opportunities for EDS.

II.   SCOPE

INPUT's understanding is that Microsoft does in fact have a comprehensive strategy covering wide areas of IT products, services and related offerings. Parts of this strategy have surfaced from time to time; some pieces have not surfaced at all, to INPUT's knowledge. INPUT believes that such a study as this would be highly beneficial to EDS in setting parts of its own strategy.

The following issues are those that INPUT expects to address in its study.

What is the Microsoft's business and technical strategy as it pertains to products, markets and, especially, services?

- How has its strategy (or strategies) changed? Why?

- What is the range of future strategies which are open to Microsoft?

- What are the opportunities and constraints on future strategies? What is the likelihood (and reasons) for particular strategies being followed in the future?

- What is the process used to develop strategy?

- How important is the impact of Bill Gates on Microsoft's strategy? Is it likely to change? Which of Gates' business interests and initiatives are likely to use Microsoft as the vehicle and which will use another entity? [See the attached diagram for one view of possible relationships.]

- Who are the major players within Microsoft (people, organizational units) who set Microsoft's strategy? Are roles and relationships likely to change in the future?

- What would be likely to happen if Gates were hit by a truck?

2

What is the relationship between Microsoft's product and service strategies? How is this likely to change?

- Which service areas is Microsoft likely (now or in the future) to stake out as its own?

- In which service areas is Microsoft likely to seek partners?

- Are there service areas where Microsoft will adopt a neutral position toward other firms' activities?

What is the nature of Microsoft's partnering in general and, specifically, in the services area?

- How does partnering fit into its current and future strategy?

- What have the roles of the respective partners been? To what extent does Microsoft seek to drive the relationship?

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- What are the range of opportunities for being a Microsoft ally/partner?

- Are there areas where EDS can help leverage Microsoft's capabilities and effectiveness?

- Which areas would also leverage EDS' capabilities?

- Are there opportunities which would make EDS a direct competitor to Microsoft? What is the likelihood of success if this approach were followed? To what extent will competition in one area affect cooperation in others?

- Are there opportunities where Microsoft would feel neutral to EDS' involvement?

- From Microsoft's "side of the hill", how will they view likely relationships with EDS?

- How would moves such as this affect the general competitive positioning in the IT services industry?

- What are the best ways of approaching Microsoft? Dealing with Microsoft in general?

3

III. METHODOLOGY

The study will begin with a meeting between EDS and INPUT in Plano.

*   INPUT and EDS will jointly review the scope and priorities of issues to be addressed.

*   EDS will brief INPUT on its business, market and technical offerings or plans that in EDS' view will assist INPUT in focussing on pertinent issues for this study.

INPUT will obtain information for this analysis from the following sources:

*   INPUT staff's prior knowledge, non-proprietary research and analysis, and company databases and files.

*   Interviews with current and former Microsoft staff.

*   A review of recent public materials on Microsoft and Gates (published and on-line comments).

INPUT plans to involve INPUT's senior staff in reviewing the findings and recommendations.

INPUT will provide a written report as well as a presentation of results to EDS in Plano.

The study will take approximately one month to complete.

IV. FEE

INPUT's professional fee for this project is $28,000. One-half of this fee ($14,000) is due and payable upon authorization. The remainder of the fee plus out-of-pocket expenses is due upon the submission of the report. Out-of-pocket expenses (primarily travel, telephone and report production) will be billed at cost and are not expected to exceed $4,000.

This proposal will remain valid for thirty days, unless extended in writing.

4

VI. AUTHORIZATION

To authorize the project as specified, please sign and return one copy of this proposal, along with the initial fee. Upon acceptance by INPUT, a countersigned copy of the proposal will be returned to EDS.

AUTHORIZED BY:
EDS

_____
Name

Corporate Vice President
_____
Title

February 6, 1995
_____
Date

ACCEPTED BY:
INPUT

_____
Name

VP
_____
Title

Feb 7 1995
_____
Date

5

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***   ACTIVITY REPORT   ***
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TRANSMISSION OK

TX/RX NO.	4911
CONNECTION TEL	1 415 961 3967
CONNECTION ID	PROD
START TIME	02/09 09:30
USAGE TIME	05'32
PAGES	9
RESULT	OK

INPUT®

IT Intelligence Services

400 Frank W. Burr Blvd.
Teaneck, NJ 07666
Tel. (201) 801-0050
Fax (201) 801-0441

FAX TRANSMITTAL FORM

Date: _2/6/95_

To: Name: _Mr. Barry Sullivan_

Tel./Location: _____

Co.: _EDS_

Fax No: _214-605-6502_

From: Name: _Mr. Thomas O'Flaherty_

Subject: _Revised Proposal_

Confidential: Y / N

Urgent: Y / N

Page: 1 of _7_

File: Chron
        Contact
        Other:

ADM 341/05 8/93

February 6, 1995

Mr. Barry Sullivan
Corporate Vice President - Marketing
EDS
5400 Legacy Drive
Mail Stop H3-6D90
Plano, TX 75024

Via fax: 214-605-6502

Dear Barry:

Attached is the revised proposal that you and I discussed last week.

With modifications to scope, I think we have gotten the time and price down to the level we discussed.

INPUT looks forward to working with EDS on these issues and we believe we can add considerable value.

Sincerely,

Thomas O'Flaherty
Vice President

Attachment

cc. Peter Cunningham

Revised
Proposal

HOW CAN EDS COMPLEMENT MICROSOFT ?

Submitted to

ELECTRONIC DATA SYSTEMS

February 6, 1995

Submitted by

INPUT

Atrium at Glenpointe
400 W. Burr Boulevard
Teaneck, NJ 07666

201-801-0050
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        change? Which of Gates' business interests and initiatives are likely to use
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INPUT plans to involve INPUT's senior staff in reviewing the findings and recommendations.

INPUT will provide a written report as well as a presentation of results to EDS in Plano.

The study will take approximately one month to complete.

IV. FEE

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AUTHORIZED BY:
EDS

ACCEPTED BY:
INPUT

_____
Name

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Name

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Title

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Title

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Date

_____
Date

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                    ******************************
                    ***   ACTIVITY REPORT    ***
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     CONNECTION ID
     START TIME          02/06 13:56
     USAGE TIME          03'17
     PAGES                 7
     RESULT              OK
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INPUT IT Intelligence Services

January 31, 1995

Mr. Barry Sullivan
Corporate Vice President - Marketing
EDS
5400 Legacy Drive
Mail Stop H3 6D90
Plano, TX 75024

Via fax: 214-605-6502

Dear Mr. Sullivan:

Attached is the proposal that you and Peter discussed. Peter will be travelling until mid-February, so if you have questions or want to modify the work described here, please contact me.

INPUT looks forward to working with EDS on these issues and we believe we can add considerable value.

Sincerely,

Thomas O'Flaherty
Vice President

Attachment

cc. Peter Cunningham

Proposal

HOW CAN EDS COMPLEMENT MICROSOFT ?

Submitted to

ELECTRONIC DATA SYSTEMS

January 31, 1995

Submitted by

INPUT

Atrium at Glenpointe
400 W. Burr Boulevard
Teaneck, NJ 07666

201-801-0050
Fax: 201-801-0441

HOW CAN EDS COMPLEMENT MICROSOFT?

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- Are there service areas where Microsoft will adopt a neutral position toward other firms' activities?

What is the nature of Microsoft's partnering in general and, specifically, in the services area?

- How does partnering fit into its strategy?

- How successful have these partnerships been (from both sides' standpoints)?

- What have the roles of the respective partners been? To what extent does Microsoft seek to drive the relationship?

- What lessons has Microsoft (and its partners) drawn from these relationships?

- How will partnering fit into Microsoft's future strategy?

Where are EDS' opportunities in the general "Microsoft Market Space"?

- What are the range of opportunities for being a Microsoft ally/partner?

- Are there areas where EDS can help leverage Microsoft's capabilities and effectiveness?

- Which areas would also leverage EDS' capabilities?

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The study will begin with a meeting between EDS and INPUT in Plano.

- INPUT and EDS will jointly review the scope and priorities of issues to be addressed.

- EDS will brief INPUT on its business, market and technical offerings or plans that in EDS' view will assist INPUT in focussing on pertinent issues for this study.

INPUT will obtain information for this analysis from the following sources:

- INPUT staff's prior knowledge, non-proprietary research and analysis, and company databases and files.

- Interviews with current and former Microsoft staff.

- Interviews with Microsoft competitors and leading IT services providers in order to understand their relationships, plans and attitudes toward Microsoft.

- A review of recent public materials on Microsoft and Gates (published and on-line comments).

The purpose and EDS sponsorship of the study will not be revealed to companies or individuals interviewed. As an incentive to share information, certain individuals and companies will be provided a public summary of INPUT's findings at no charge to them.

- These findings will be "sanitized" to omit references to EDS, to findings that could prove useful to EDS competitors, as well as recommendations made to EDS.

- EDS will have an opportunity to review this public summary before it is finalized and released.

INPUT plans to involve at least a half dozen of INPUT's senior staff from around the world in reviewing the findings and recommendations.

INPUT will provide a written report as well as a presentation of results to EDS in Plano.

The study will take approximately two months to complete.

IV. FEE

INPUT's professional fee for this project is $50,000. One-half of this fee ($25,000) is due and payable upon authorization. The remainder of the fee plus out-of-pocket expenses is due upon the submission of the report. Out-of-pocket expenses (primarily travel, telephone and report production) will be billed at cost and are not expected to exceed $8,000.

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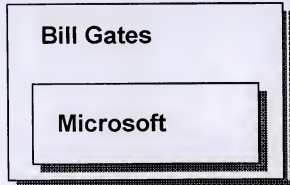
AUTHORIZED BY:
EDS

ACCEPTED BY:
INPUT

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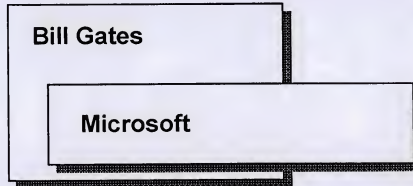Title

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Title

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Date

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Date

Strategy and Direction:
Bill Gates & Microsoft

1995

2005?

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Bill Gates
   ┌──────────────┐
   │  Microsoft   │
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Bill Gates
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Note: Schematic not to scale

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***   ACTIVITY REPORT   ***
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CONNECTION TEL   12146056502
CONNECTION ID
START TIME   01/31 14:49
USAGE TIME   03'18
PAGES   7
RESULT   OK

HOW CAN EDS COMPLEMENT MICROSOFT?

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4

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AUTHORIZED BY: ACCEPTED BY:
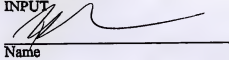EDS   INPUT

_____   _____
Name   Name

Corporate Vice President   _Vice President_
_____   _____
Title   Title

February 6, 1995   _3/14/95_
_____   _____
Date   Date

5

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***   ACTIVITY REPORT   ***
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TRANSMISSION OK

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CONNECTION ID	
START TIME	03/15 11:41
USAGE TIME	02'19
PAGES	5
RESULT	OK

INPUT®

IT Intelligence Services

400 Frank W. Burr Blvd.
Teaneck, NJ 07666
Tel. (201) 801-0050
Fax (201) 801-0441

FAX TRANSMITTAL FORM

Date: 3/15/95

To: Name: Mr. Barry Sullivan

Tel./Location: _____

Co.: EDS

Fax No: 214-605-6502

From: Name: Mr. Thomas O'Flaherty

Subject: _____

Confidential: Y / N
Urgent: Y / N

5

[handwritten note on sticky: Send Back to EDS Barry Sullivan / Done Mail 3/15/95]

ADM 341/05 8/93

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EDS

5400 Legacy Drive
Plano, Texas 75024
(214) 604-6000

Wachovia Bank & Trust Co., N.A.
Asheville, NC
66-35/531

CHECK NUMBER
0011646058

CONTROL NUMBER
039DLS0109

PAY THE SUM OF ********14,000 DOLLARS AND 00 CENTS

CHECK DATE
02 15 95

VOID AFTER 120 DAYS

PAY THIS AMOUNT
********14,000.00

2 SIGNATURES REQUIRED OVER $25,000

TO THE ORDER OF
INPUT**********************************
400 FRANK W BURR BLVD
TEANECK   NJ 07666

⑈0011646058⑈ ⑆053100355⑆ 010457 038127⑈

Report

HOW EDS CAN COMPLEMENT MICROSOFT

Originals

ELECT

Submitted by

INPUT

Atrium at Glenpointe
400 Frank W. Burr Boulevard
Teaneck, NJ 07666

201-801-0050
201-801-0441

HOW EDS CAN COMPLEMENT MICROSOFT

I. EXECUTIVE SUMMARY

A. Scope

This study analyzes and recommends ways that EDS can complement Microsoft. To meet this objective, this study provides

- An understanding of Microsoft's current and future business directions.

- An analysis of the potential needs that Microsoft and its customers have for outside assistance.

- The potential partnering roles for a provider of services.

- EDS's opportunities.

There is a great deal of information available and potential areas of analysis concerning Microsoft. This study confines itself to areas that are directly germane to addressing the issues raised above.

- Microsoft is very concerned with its long term financial performance (five-plus years in the future). This concern is driving its long term business directions. This study looks closely at Microsoft's long term business initiatives.

- Microsoft and Gates are intertwined. Gates is a key Microsoft driver. However, Microsoft is much more than one person (a point that is made in more detail).

- This study has grouped and assessed how Microsoft's 250 product offerings affect relative value to EDS of different types of relationships with Microsoft.

B. Summary of Findings

The principal findings of the study include:

- There are significant potential benefits to EDS of having a complementary relationship with Microsoft. There are both hard and soft benefits.

- The service and support needs of Microsoft and its customers will make such a relationship important to Microsoft.

- The critical driver of these needs is Microsoft's enterprise initiative.

- There appear to be few, if any, barriers to establishing a relationship between EDS and Microsoft.

1. Potential Benefits To EDS

INPUT estimates that there will be a $4-7 billion annual opportunity by 1997 in providing installation and operations support to Microsoft's enterprise software initiative. It is very unlikely that EDS could have an exclusive role in providing such services. However, there is no reason that EDS could not supply a significant portion of these services.

In addition, a relationship would have other, less measurable, but still very important benefits to EDS:

- Increasing EDS's capabilities in providing state-of-the-art client/server solutions at the enterprise level.

- Improving EDS's image as a provider of these solutions.

2. Service And Support Needs Of Microsoft And Its Customers

Microsoft is seeking to increase its recurring revenues and decrease its reliance on "one-shot" sales. INPUT has identified five groups of Microsoft offerings of special interest to third parties. Microsoft will provide:

- Enterprise-wide software environments.

- On-going support for these enterprise-wide environments.

- "Middleware frameworks" with which other software product companies will develop products. This will give Microsoft the opportunity to receive a royalty on each copy sold that was developed using the Microsoft framework.

- Information products, where pricing will be on a per item basis.

- Electronic commerce software and transaction processing. Initially, the focus will be on processing consumer-to-business financial transactions.

Entering these new business areas will allow Microsoft to target new markets and obtain recurring revenue. Microsoft will also utilize a variety of new distribution channels (Exhibit I-1).

To maximize success, each of these new or enhanced offerings must meet a number of requirements(Exhibit I-2). In most areas, Microsoft will have to use third parties to completely address these requirements.

3. The Critical Role Of Microsoft's Enterprise Initiative

Microsoft will provide enterprise-wide software environments to achieve long-term account control. Account control will enable Microsoft to create and exploit recurring revenue opportunities. Providing on-going support is a key part of both maintaining account control as well as providing recurring revenue.

Microsoft will, of course, be seeking long term product support contracts. In many cases, additional support (e.g., desktop services or business function outsourcing) will be a necessary and integral part of the support structure. Microsoft will need to enter into close, long term business relationships with service vendors to provide this kind of support.

4.   The Opportunity For Establishing A Complementary Relationship Between EDS and Microsoft.

Microsoft is the classic product-focused company; even its new services are built around "service products". Given EDS's services orientation, there is both a natural fit and an absence of long term conflict between the two companies. (Two of Microsoft's major partnerships, with IBM and Sybase, led to divorce as their product directions conflicted.)

EDS and Microsoft largely occupy different "market spaces" (Exhibit I-3). EDS is moving "downstream" and Microsoft is moving "upstream" in terms of the size of organization targeted. Each company can learn from the other; arguably, the experience of a firm like EDS will be critical for Microsoft making the large-scale breakthroughs called for in its enterprise strategy.

EDS should keep in mind Microsoft's sensitivities in developing a formal relationship:

•   The IBM experience will be in the back of Microsoft's mind, even if this experience is not strictly applicable.

•   Microsoft's experience is in writing OEM product contracts.

•   Microsoft is understandably concerned over protecting its trade secrets.

•   All things being equal, EDS may desire a more exclusive relationship than Microsoft.

Exhibit I-1

MICROSOFT'S NEW BUSINESS AREAS: SUMMARY

Business Area	Target	Recurring Revenue	Distribution Channels***
Enterprise Software	Large Enterprises (and subsets)	No	Direct; Indirect
Enterprise Software Support	Large Enterprises (and subsets)	Yes	Direct; Partners
Middleware Frameworks	Software Product Developers (as OEMs)	Probably	Direct (to OEMs)
Information Products	Business Users	Yes	Resellers
Financial Transaction Processing	Consumers; Retailers*; Banks**	Yes	Partners Indirect; Resellers

*   Includes all companies involved in the sale of products
      and services to consumers

**   Includes financial intermediaries

***   Summary Definitions of Major Channels
      Direct - Microsoft
      Indirect - SI firms
      Partners - Complementary services providers
      Resellers - Licensed niche or value-added providers
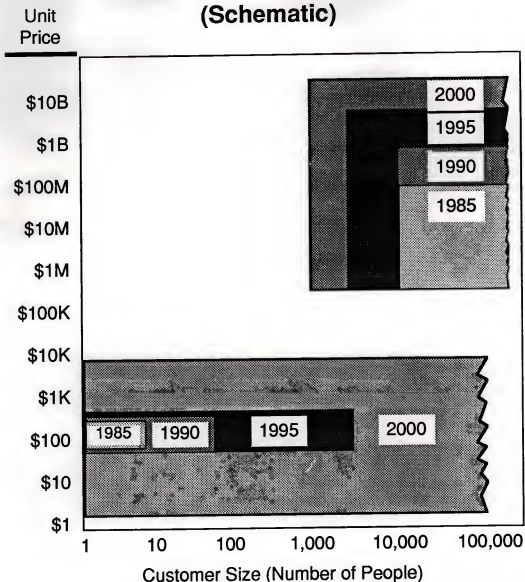
Exhibit I-2

MICROSOFT'S OFFERINGS: REQUIREMENTS
FOR SUCCESS

New/Expanded Offering	Requirements for Microsoft Success
Enterprise-wide Software	• New products • Current products: Expanded features • Product integration (Microsoft; non-Microsoft) • Sales channels • Customizing and installation • Support
Enterprise Software Support	• Value-added feature/functions • Design for maintainability • Object-based construction • Product support • Enterprise outsourcing support • Desktop support
Middleware Frameworks	• Additional products • Current products: Additional developer features • Product quality/stability • Terms and conditions • Beta test • Reference customer
Information Products	• Useful content • Proprietary content • Distribution • Economic model (suppliers; customers) • Link to Microsoft offerings • Link to applications
Financial Transaction Processing	• Electronic commerce • Security • Business process reengineering • Links with financial intermediaries

Source: INPUT Assessment

Exhibit I-3

"Market Space": EDS and Microsoft
(Schematic)

Unit Price (vertical axis): $10B, $1B, $100M, $10M, $1M, $100K, $10K, $1K, $100, $10, $1

Upper group boxes: 2000, 1995, 1990, 1985

Lower group boxes: 1985, 1990, 1995, 2000

Customer Size (Number of People) (horizontal axis): 1, 10, 100, 1,000, 10,000, 100,000

INPUT

II.   MICROSOFT: CURRENT BUSINESS

A. The Implications of Microsoft's History

History is important when examining Microsoft. Its earliest offerings (languages, operating systems and applications) are still the core of its business (Exhibit II-1). Entry into these core areas is largely explained by "being in the right place at the right time":

- Microsoft was launched as a result of developing the first industry-standard Basic.

- IBM's approach to Microsoft "forced" Microsoft into the operating systems business.

- Microsoft saw the early successes of other firms' personal productivity products and built its own similar products.

History goes a long way to explain Microsoft's current product mix, but does not explain its repeated success in different product areas.

- Microsoft is extraordinarily tenacious. It is rarely discouraged by the lukewarm reception of a product.

    - The market may not be developed sufficiently -- CD-ROM-based information in the mid-1980s. ("Information" is central to the Microsoft Network.)

    - The product may not be ready -- many of its first-time offerings, most notably Windows.

- Microsoft rarely retreats from a business area once committed.

History is also important because its past actions and success are in large part a result of an identifiable Microsoft "culture".

- Microsoft tenacity reflects its staff's self-confidence and ability. Its people are very smart, understand technology and like to learn/do new things. Microsoft's hiring process consciously and formally looks for people with these characteristics.

- Microsoft is a rare technology company that is always focused on business and market issues.

    - Microsoft wants to be Number One in every product category it competes in. (On numerous occasions Microsoft executives have said, only half joking, that Microsoft's natural market share is 100%.)

    - This is the main reason for Microsoft's reputation for me-too and/or mediocre products: Getting a product out sooner is preferable to getting an elegant product out later.

    - Microsoft focuses on large (or potentially large) markets.

- In both its long term and short term plans, Microsoft is extremely flexible. Microsoft hedges its bets, because in Gates' words, "you don't know where the market is going."

- The flexibility is made possible, in large part because its smart, can-do staff. Few other companies, for example, would have put a 32-year-old with only a technical background in charge of the Microsoft Network start-up.

- Organizational units and reporting relationships are, at best, amorphous: Getting the job done is the critical element. Gates and other senior managers will reach through the company to find the right person and information. Microsoft is well known for making product choices and managing projects by a process of intellectual conflict and group contention.

These traits are Gates' own, but have by this time been absorbed and transformed into an organizational culture. If Gates were hit by the proverbial truck (not impossible, given his driving habits), Microsoft itself would continue in much the same pattern for some time.

Gates still plays a key role in the Microsoft process -- as he puts it, "My main job is to say No" to the ideas and plans being constantly generated.

There was talk earlier in the 1990s that Gates and Microsoft's business interests were diverging. This talk reflected the interest that Gates and his personal company were showing in information content and interactivity -- areas where Microsoft itself was not then playing an active role. Now Microsoft itself is very active in these areas. In some sense, activities like these put Gates in the role of a separate R&D unit or pathfinder for Microsoft. This is consistent with Microsoft's relaxed attitudes toward roles and forms.

B. Product Groups

Microsoft's history is very useful for understanding the kind of company that Microsoft is and how it acts. However, it is not necessarily a good guide to its specific future actions.

The list of offerings in Exhibit II-1 is something of a grab bag of products, technologies and capabilities. Microsoft's own formal organization does not always provide a good guide, given its repeated changes and informality.

After studying Microsoft's organization, statements and actions, INPUT has found it useful to categorize Microsoft's offerings into the categories shown in Exhibit II-2.

- Operating systems and applications are the oldest and fairly solidified.

- The information content and personal finance businesses have received enormous publicity, although they are still being defined. (For the purposes of this analysis, the focus will be on the personal finance portion of individual consumer products.)

- What INPUT calls "middleware" is coalescing within Microsoft under the title of "database and development tools". Microsoft supplies tools to allow other firms to build solutions

- Communications offerings and capabilities are, as in many firms, sprinkled around the organization. "Communications" may never be organized as such within Microsoft; however, in the future the offerings and capabilities in this area will be increasingly interlinked from both a business and technology standpoint.

C. The Role of Services

There are several areas where Microsoft is involved in services:

- Its consulting and professional services division
- The Microsoft Network
- Its plans for providing personal finance transaction processing services.

1. Consulting and Professional Services

Microsoft is not in the business of professional services or systems integration in the same way that an Andersen or EDS is.

Its services are aimed at providing high-level technical consulting on Microsoft products to support:

- OEMs
- Software developers using Microsoft products as a development or operations platform -- these can be product developers or systems integrators.
- Key corporate accounts that "go Microsoft".

It is highly unlikely that Microsoft would ever go beyond these rather circumscribed boundaries. As Gates has said: "We're not going to do systems integration or consulting for corporate information systems. Companies like Andersen Consulting or EDS won't see us competing in that domain."

In some ways, it makes sense to view Microsoft's consulting unit as a high level pre- and post-sales support unit.

2.   Network-Based Services

The Microsoft Network

MSN is not a product in the sense that a shrink-wrapped product is. However, Microsoft thinks of it as a way of delivering a series of intangible information products. These information products will be priced, at least conceptually, on a per item basis, although special deals will undoubtedly be cut as they do with OEMs.

Personal Finance Transaction Processing Services.

Microsoft has been explicit in describing this as being priced per transaction unit.

Conclusion

Microsoft, whether consciously or instinctively, is favorably disposed to services that can be productized: Books (on CD-ROM), pieces of information, or transactions.

These services also have the characteristic of being standardized. There will be little or no opportunity for customization of the Microsoft-supplied service. There may, however, be opportunities for partners or resellers that take standard Microsoft "service products" and tailor them for resale. This part of the market Microsoft will gladly cede to other vendors, probably indefinitely: The Microsoft culture is not one of customization.

Exhibit II-1

PRINCIPAL MICROSOFT OFFERINGS
By Year of Introduction

Year of Introduction*	Offering
1978	Languages
1980	Operating Systems
1982	Personal Productivity Products (Word, Excel, etc.)
1986	Information Content (CD-ROM)
1988	Networking Products
1990	Object Technology
1991	Personal Finance Products
1992	DBMS
1994	Personal Finance Transactions
1995	Information Content (On-Line)

* Years of introduction are approximate because of product changes

Exhibit II-2

PRINCIPAL MICROSOFT OFFERINGS: GROUPED

- Operating Systems

- Applications (personal productivity)

- Middleware

    - <u>Data</u> Base Management Systems

    - Languages

    - Development Environments

    - Object Technology

- Communications

    - LAN Manager

    - Microsoft Network

    - Personal Finance Transaction Processing

    - Video Server

- Information Content

- Consumer (focus: Personal Finance)

Source: INPUT Analysis

III. FUTURE MICROSOFT DIRECTIONS

A. Statement of Direction

Microsoft recognizes that the "shrink-wrapped" approach to markets needs to be modified and expanded. In Gates' words: In the future, "Microsoft's got to get most of its revenues from repeat customers rather than new ones." This realization reflects

- The approaching saturation of "greenfield" sites for sales of its core products on an individual (or suite) basis.

- Plateaued or declining unit prices for individual core products. This decline may have been masked somewhat by the acceleration in the sales of software suites; suites increase sales volume in the short and medium term, but at the cost of moving forward later sales.

- The uncertainty of future revenue flows from upgrades of its core products.

- The demonstrated difficulty in building up software maintenance revenues from its core products. (This is in contrast to the "annuities" that mainframe software producers developed in the 1970s and 1980s; Microsoft is very aware of this contrast.)

Essentially, Microsoft is looking to move from dependence on "one-shot" revenues to a recurring revenue structure. Microsoft believes, and INPUT agrees, that this is a long term, not short term issue. However, Microsoft must be on the way to addressing the problem by the year 2000; if it doesn't, its financial performance, of which Gates and Microsoft are justifiably proud, will decline.

B. Expansion of Business Scope: Overview

INPUT has identified broad areas where Microsoft will be seeking to expand its business scope. INPUT sees Microsoft moving aggressively into

- Enterprise-wide software.

- Enterprise software support.

- Middleware frameworks to other software developers.

- Information products.

- Electronic commerce, most notably financial transaction services.

- Consumer-oriented software products.

These are areas where Microsoft will be moving into new market areas and/or customer sets and, except for enterprise-wide software, will be greatly increasing its chance for recurring revenue.

The next sections review each of these areas, giving attention to

- Additional work required for Microsoft to maximize success;

- Where, in INPUT's opinion, there are opportunities for outside vendors to provide assistance or partnering.

C. Enterprise-Wide Software

In a sense, this is a packaging of existing products. Microsoft Back Office is an example of this. Providing the software framework on an enterprise basis gives Microsoft long term account control. Once a company has bought into the Microsoft concept, it would ordinarily take a disaster or a change in corporate control to go to another architecture (Exhibit III-1). This entrenchment will make it possible to create and exploit opportunities for recurring revenue.

For the enterprise software strategy to work, "packaging" is not sufficient. Microsoft will have to make a number of other moves:

- New products will be required to fill in holes, especially on the communications side.

- Current products will have to be expanded and linked.

- Hooks to other vendors' product will need to be stable.

- Microsoft's object-based development environments will need further work. The goal is to have customers think they have a custom system, while Microsoft is providing a standard set of "piece-parts" (see Exhibit III-2). This "customization view" will be of considerable utility to third party services vendors.

This last point is critical. True enterprise software cannot be a cookie-cutter item; software products that are much more standard (like SAP) require a significant amount of tailoring for a specific customer's situation. Microsoft will have neither the resources nor, in many cases, the detailed industry knowledge to provide such installations or support.

This will be a multi-year effort for Microsoft; Microsoft still has a considerable distance to travel to earn the same kind of "mindshare" that SAP, for example, has at the enterprise level (Exhibit III-3). However, INPUT believes that Microsoft must -- and will -- see this initiative through in the same way with the same kind of long term thinking evident in its product introductions.

However, Microsoft cannot afford to make the mistakes in lateness and quality that have often been the case for its products. The enterprise environment is not nearly so forgiving as individual "techies" or small workgroups. In order to meet customer expectations, Microsoft will need long term assistance from systems integrators to

- Tailor software environments to the needs of specific customers;

- Design and install environments in many large customers simultaneously;

- Provide quality installations.

D. Enterprise Software Support

This is a natural follow-on to providing enterprise software. Microsoft's own focus will be on product support. Microsoft will see this as an opportunity to establish long term relationships with these same enterprise software customers.

However, there are many hurdles for Microsoft to overcome in providing support. From an internal, product standpoint, Microsoft must

- Design all of its products consistently and to maximize maintainability. Microsoft has already made considerable progress using object-oriented programming. However, its products still have some distance to go before they function seamlessly.

- Continually introduce new features and functions to add perceived added value. This perception is very important in order to make a "maintenance contract" attractive. Bug fixes alone will not sell product support services.

A larger issue is that narrowly-defined <u>product</u> support will often not be enough to get support business.

- Customized and semi-customized environments will also have to be supported. To some extent, the more successful that SI partners are in the preceding stage, the more difficult it will be for Microsoft to provide unassisted software support.

- A related item is the need to support interfaces to other software environments, e.g., SAP.

- Often, the product support may be tied in with broader desktop services, or outsourcing of an IT or business function.

In enterprise support, even more than enterprise software, Microsoft will need the assistance of external services firms. These relationships will need to be tighter and longer term than those involving product customizing and installation.

E. Middleware Frameworks

Microsoft has already been offering the product, tools and support that allows other software vendors to build applications on top of a Microsoft platform. Collier-Jackson, for example, used a combination of Microsoft products to construct RISC-based applications for accounting, human resources and distribution.
(An interesting note is that after two 1994 acquisition transactions, the Collier-Jackson Visionshift products are now distributed under the Microsoft name. This episode illustrates the difficulty in relying on Gates for details as opposed to statements of direction: at about the same time as this transaction, Gates said, "You won't see us doing applications like small business accounting.")

The Tiger video server is another example of this kind of middleware that enables other applications.

In order for Microsoft to be a power in providing middleware development frameworks, its products need more work, especially in providing a high-end DBMS. The need to own a high-end DBMS was one important strand in its (relatively friendly) divorce from Sybase.

Long term, providing these kinds of frameworks could be a significant source of recurring revenue: Microsoft would receive a royalty from every copy of other software sold that is built around Microsoft products. Obviously, this depends on having terms and conditions that incorporate a usage fee that is acceptable to both sides.

F. Information Products

Information products are a conceptual departure for Microsoft. The technical issues are important, but generally less important than content and distribution:

- Content must be useful and, at some level, represent unique value. Microsoft may not fully realize the difficulty in offering content that is visibly different from that offered by established providers.

- Optimally, the content should be at least semi-proprietary -- both in the short and long run; unless sources are nailed down, (legal) copycat data will soon emerge.

- Microsoft may have an important distribution edge from the Microsoft Network icon in Windows95.

  - However, it is unclear if business information users will desert their current providers and if new users will be the desirable customers.

  - Microsoft may not be home free on the legal issues, either. Its high-profile anti-trust visibility may require it to provide icons to other information providers.

A larger issue is that Microsoft appears to view its information products as basically "horizontal" in nature, aimed at large numbers of individual or workgroup users.

There may in fact be larger opportunities at the enterprise level. This would tie specific data to specific applications. Microsoft does not have the capability -- and probably does not have an interest in acquiring the capability -- to provide this kind of "data integration" assistance. This represents a significant opportunity for partners with a deep understanding of applications and their data needs.

G. Electronic Commerce

Both Microsoft and many observers expect this to be a key offering by Microsoft. The current target is consumer-business financial transaction processing; if successful, business-business transactions would be a logical expansion. The high multiple for Intuit has been justified in large part by the use of Intuit's installed base as a tie-in to financial transaction processing.

The main issues are

- Setting up business agreements and electronic commerce links with

    - Providers of consumer products and services (both direct and via third parties);

    - Financial intermediaries (e.g., credit card issuers, credit card processors, banks and other financial institutions);

    - Communications and transportation companies.

- Ensuring transaction security. This point is especially important in view of the schools for financial fraud which exist on the Internet. Ensuring transaction security is to some degree a technical question involving cryptography and security standards; however, modifying business processes may turn out to be even more important. Modifying business processes to support security could represent a significant business opportunity for a services partner.

As noted, the business and technical issues are interwoven. Microsoft probably does not have all the expertise to successfully meet these challenges unassisted. However, Microsoft may not realize this yet.

H.   Consumer Software Products

Microsoft products are, of course, physically well-established in many homes for home-based businesses, telecommuters and secondary office work. From a product, marketing and distribution standpoint this market is largely a subset of the traditional core business as well as Microsoft's new focus on the enterprise.

Microsoft is also focusing on consumers as individuals.

- Microsoft will soon have about 70 titles aimed at the individual-as-consumer.

- CD-ROM products are aimed in part at the individual consumer.

- The pending Intuit transaction will give Microsoft a leading position in personal financial software. For the purposes of this analysis, the most important aspect of the Intuit deal and the consumer financial sector is transaction processing and interfaces with financial intermediaries.

I.   Summary

Exhibit III-4 summaries the requirements for success discussed above under each new or expanded offering. Typically, Microsoft has set itself very ambitious goals.

The traditional software products focus of Microsoft has been relatively easy to understand:

- Operating systems as the foundation.

- "Middleware" on top of operating systems.

- Applications serving the business user.

This environment changes radically as Microsoft moves into "service products". Exhibit III-5 shows the new complexities that exist in relating and linking the products to one another. This map is simplified: Many of the applications may be linked eventually to one or more of the service products.
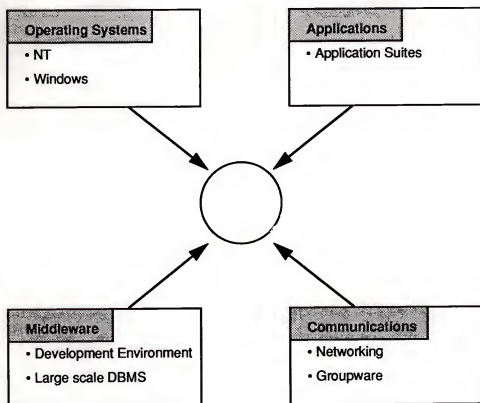
Each of the new business areas intentionally expands Microsoft's target customer base, as shown in the second column of Exhibit III-6. As noted earlier, one of the chief attractions of entering these new areas is the opportunity for recurring revenue (column 3).

However, these opportunities come at the expense of having to expand (and complicate) Microsoft's distribution channels (column 4). There will be a limited amount of direct distribution to key enterprises. To meet its growth and financial goals Microsoft must use third parties for distribution. In three of the five categories, firms like EDS should play an important role.

Exhibit III-1

Microsoft Direction:
Comprehensive, Enterprise-Wide Software Environment

Source: INPUT Assessment

Exhibit III-2

**Anticipated Benefits of
Microsoft's "Piece-Part" Approach**

Product
Architecture

Customer
View

Microsoft
View

Customized
Environment

Standardized
Support

Source: INPUT

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Exhibit III-3

Microsoft Direction: Product/Customers

Products

Comprehensive
Software
Environment

Product
Groups

Individual
Products

Operating
System

Individual Small Large Organization Enterprise
Work- Work- Unit
group group

Customer Targets
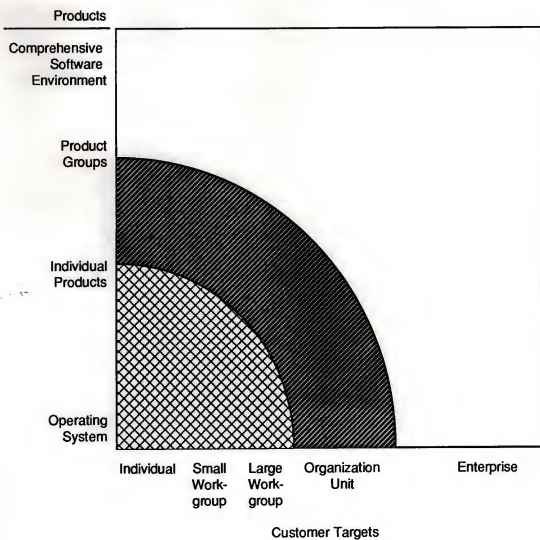
⊠ Strong
Position   ▨ Entering   ☐ Targeting

Source: INPUT Assessment

21

Exhibit III-4

MICROSOFT'S OFFERINGS: REQUIREMENTS
FOR SUCCESS

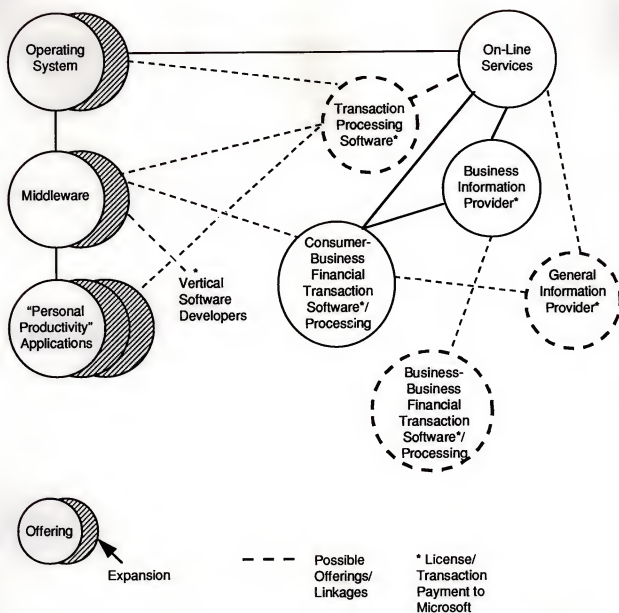| New/Expanded Offering	Requirements for Microsoft Success
Enterprise-wide Software	• New products • Current products: Expanded features • Product integration (Microsoft; non-Microsoft) • Sales channels • Customizing and installation • Support
Enterprise Software Support	• Value-added feature/functions • Design for maintainability • Object-based construction • Product support • Enterprise outsourcing support • Desktop support
Middleware Frameworks	• Additional products • Current products: Additional developer features • Product quality/stability • Terms and conditions • Beta test • Reference customer
Information Products	• Useful content • Proprietary content • Distribution • Economic model (suppliers; customers) • Link to Microsoft offerings • Link to applications
Financial Transaction Processing	• Electronic commerce • Security • Business process reengineering • Links with financial intermediaries

Source: INPUT Assessment

Exhibit III-5

Microsoft Direction
Major Offerings and Linkage

Operating System

On-Line Services

Transaction Processing Software*

Middleware

Business Information Provider*

Consumer-Business Financial Transaction Software*/Processing

General Information Provider*

"Personal Productivity" Applications

Vertical Software Developers

Business-Business Financial Transaction Software*/Processing

Offering

Expansion

— — — Possible Offerings/Linkages

* License/Transaction Payment to Microsoft

Source: INPUT

Exhibit III-6

MICROSOFT'S NEW BUSINESS AREAS: SUMMARY

Business Area	Target	Recurring Revenue	Distribution Channels***
Enterprise Software	Large Enterprises (and subsets)	No	Direct; Indirect
Enterprise Software Support	Large Enterprises (and subsets)	Yes	Direct; Partners
Middleware Frameworks	Software Product Developers (as OEMs)	Probably	Direct (to OEMs)
Information Products	Business Users	Yes	Resellers
Financial Transaction Processing	Consumers; Retailers*; Banks**	Yes	Partners Indirect; Resellers

*   Includes all companies involved in the sale of products and services to consumers

**   Includes financial intermediaries

***   <u>Summary Definitions of Major Channels</u>
         Direct - Microsoft
         Indirect - SI firms
         Partners - Complementary services providers
         Resellers - Licensed niche or value-added providers

IV. PARTNERING

A. Microsoft's Receptivity to Partnering

In principle, Microsoft is very receptive to partnering. According to Microsoft, it already has over 6,000 partners. Gates has stated that Microsoft "keeps partnerships going because you don't know which way the industry's going to go."

However, these 6,000 partners turn out to be mostly

- Hardware OEM's for which it supplies software;

- Software product companies that write for Microsoft operating systems;

- Suppliers of professional services or SI services that need training in Microsoft products.

Microsoft has had relatively few other kinds of partnerships. Two of the most important were with IBM and Sybase. In both cases, there were initial win-win arrangements that over time grew brittle as Microsoft and its partner's market space increasing overlapped.

It is difficult to see many win-win opportunities for producers of "horizontal" software products (systems software, middleware or applications). Even niche areas like system utilities stand the danger of being absorbed into the operating system or middleware.

Vertical applications providers can often profit from a special type of partnership, where they use Microsoft products as a foundation ("middleware frameworks" in chapter III).

In general, Microsoft will be able to partner with firms it does not perceive as offering a short or long term conflict. A services-only firm such as EDS represents an ideal. However, it should be borne in mind that Microsoft's experience in working with IBM was ultimately very unpleasant and the memory is still strong.

B. Microsoft's Partnering Need

INPUT examined Microsoft's new and expanded offerings in chapter III.

- There were a series of actions that Microsoft would have to take in order to maximize its chances of success. These were summarized in Exhibit III-6.

- In many cases, as the narrative commented, Microsoft will use a partner in many of these activities.

Exhibit IV-1 takes Exhibit III-6 and summarizes the opportunities for partners.

- Some of the opportunities are consultative or advisory; these may be limited or ongoing in nature.

- Other opportunities (marked "possible") are in technical areas. Microsoft may accept assistance in these areas as limited technical consulting. It is unlikely to enter into broader agreements because of its desire to control key technology.

C. Microsoft and EDS

EDS and Microsoft operate in different "market spaces" and are likely to do so for the foreseeable future. To begin with there is the basic orientation, virtually a cultural divide, between products and services:

- Microsoft is the essence of a product company. As discussed earlier, even its services are really "service products".

- EDS has had periodic forays into software products, but has always returned to its service "home".

These differences are positive, from the standpoint of the unlikelihood of basic conflicts.

But there are other, more subtle, differences that can turn out to provide even more complementary and synergy:

- Microsoft's roots are in selling inexpensive units of software to individuals and relatively small workgroups.

  - It wants to increase the price ceiling of its individual unit sales. Now the effective ceiling is in the low thousands of dollars; Microsoft has its sights on sales above ten thousand dollars (e.g., from having its own high-end DBMS). A "total" sale on one invoice, especially to a single OEM or, now, to an enterprise, may be orders of magnitude larger. However, the sale is made up of many individual components. The "component" mentality is still strong at Microsoft.

  - More importantly, Microsoft is moving from targeting workgroups numbering in the low thousands of employees to enterprises with employees in the tens of thousands.

  Exhibit IV-2 summarizes these movements over time in graphical form.

- EDS, on the other hand, has generally sold packages of services, with a high price for the "unit" of service.

  - EDS has always thought of solutions, rather than components and has historically targeted large organizations.

  - Over time, EDS has been going after larger and larger mega-contracts. At the same time, EDS has been targeting after smaller work groups as a result of decentralization and changing technology.

Exhibit IV-3 shows EDS's comparable "market space".

In a sense, both EDS and Microsoft are moving into territory which the other firm is very familiar with. However, they each have, essentially, a different "market space" (Exhibit IV-4).

- EDS' knowledge of and experience with enterprises will be invaluable to Microsoft.

- Access to Microsoft's workgroup-oriented technology could be equally valuable to EDS.

These directions are complementary and should guard against long term conflicts.

D. Specific Partnering Opportunities for EDS

Exhibit IV-5 takes the material from Exhibit IV-1 and maps INPUT's assessment of EDS' opportunities. These opportunities are classified as being generally high, medium/high or medium. (There are lower ranking opportunities, but these have been discarded from this analysis.)

The opportunities are summarized below by the relative attractiveness of the opportunity.

<u>High Opportunity Areas</u>

These call on EDS' core strengths, offer little long-term overlap with Microsoft, are of potential high value to Microsoft and have appreciable revenue opportunities for EDS:

- Customizing and installing Microsoft's enterprise software.

- Providing large-scale outsourcing support at the enterprise level that includes supporting Microsoft's enterprise software.

- Providing support at the desktop level to Microsoft's enterprise software.

- Providing business process reengineering, especially supporting financial transaction processing. These functions should generally involve large enterprises that sell consumer-focused products and services.

<u>Medium/High Opportunity Areas</u>

These represent opportunities almost as attractive as in the preceding group. The main difference is that the size of the annual revenue opportunity for EDS may not be as large.

- Serving as a sales channel for Microsoft's enterprise software in SI projects

- Providing linkage of Microsoft's information products to applications.

- Provide business knowledge for electronic commerce.

- Providing design and installation support for links between Microsoft's financial transaction products and financial intermediaries.

<u>Medium Opportunity Areas</u>

These areas are not as attractive as the preceding. Revenue opportunities are likely to be smaller. In cases involving product support or advice, Microsoft may not be as receptive and/or there may be future conflict.

- Providing product integration for Microsoft and non-Microsoft software (e.g., SAP/NT).

- Providing advice on feature and function enhancements for Microsoft's enterprise software to make product support more attractive to customers.

- Providing support for Microsoft products.

- Serving as a beta site and reference customer for middleware frameworks.

- Providing advice on the content of information products.

E. EDS Revenue Opportunity

At this stage it is difficult to estimate with precision the size of the potential revenue available to EDS as a result of a relationship with Microsoft.

As described in the preceding section, there are many opportunity areas. However, a sense of the magnitude of the opportunity can be gained by examining just the enterprise-level SI and support/outsourcing services opportunities that are linked to the Microsoft initiatives. There are two kinds of benefits, the direct and indirect.

<u>Direct Benefits</u>

The direct impact is that where EDS services follow (or precede) a large-scale Microsoft product contract. The process below produces an order of magnitude estimate of the direct revenue opportunity available:

- <u>Microsoft's revenues from its enterprise level initiatives.</u> INPUT estimates that in two years approximately 40% of Microsoft's revenues will come from its enterprise-level initiatives or, conservatively, $3 billion.

- <u>The ratio of these revenues to resulting services.</u> Looking at similar situations, INPUT believes that there will be at least a dollar of professional services/SI revenue spent by enterprises for every dollar of product sold.

  - This results in $3-5 billion in SI/professional services revenue in the 1997 timeframe. This is not an unreasonable target, when looking at the SAP experience, for example. INPUT estimates that SAP-related installation revenue in 1994 was over $1 billion.

  - Historically, the ratio of SI/professional services revenues to outsourcing revenues in the industry have been about 2 to 1. This implies a related support/outsourcing opportunity of $1-2 billion. (For EDS, the ratio is the other way around, so, presumably, EDS's outsourcing opportunity would be larger.)

  - In summary, the direct opportunity is on the order of $4-7 billion annually.

These figures require more refinement from such sources as:

- Microsoft's own, internal estimates for enterprise software sales.

- Microsoft's experience on the need for and level of installation services.

- EDS's recent experience in the flow-through ratios of SI work to linked ongoing support and outsourcing.

<u>Indirect Benefits</u>

The indirect impact of a relationship is more general, in terms of increased ability of EDS to compete and win SI and outsourcing contracts generally. This benefit can accrue as a result of increased technical capabilities in the general client/server field or because of a customer's favoring a Microsoft environment.

These situations will apparent to those involved, but will be difficult to measure accurately, even after the fact. However, these benefits would be just as real to EDS.

F. Relationship Issues

It is at least theoretically possible for EDS and Microsoft to pursue parallel paths without a formal understanding. However, all things being equal, a more formal agreement would put the relationship on a sounder long-term footing and produce more benefits for both sides.

INPUT believes that the key issues in the relationship will be:

- Initial and longer-term roles.

  - This will be hard to determine, given many unknowns at the present time.

- Exclusivity.

  - Presumably, EDS would value being the exclusive partner.

  - Microsoft will probably want to work with more than one partner.

- Exchange of dollars.

  - EDS may uncover some very large opportunities for Microsoft. However, it may not prove feasible to place a value on EDS's contribution.

  - EDS may not wish to have its perceived objectivity compromised.

- Technical non-disclosure.

  - EDS will require advance disclosure in order to train for new products.

  - This will be an extremely important issue for Microsoft.

- Reducing a business agreement to a legal agreement.

  - Microsoft has historically valued tight, enforceable agreements.

  - Microsoft is not used to dealing with equals.

  - A service-oriented understanding may be more difficult to reduce to useful legal forms than a product agreement.

- Dealing with public perceptions.

  - An announcement will have to balance two objectives: To impress its importance and reality upon the world, while avoiding the perception that two giants are ganging up on other vendors (and, possibly, customers).

G. EDS Approach to Microsoft

All of the "high opportunities" involve selling to and/or servicing large enterprises. Therefore, EDS's approach will be relatively straightforward:

- Microsoft provides the product component.

- EDS tailors, installs and supports; and, often, provide entree for Microsoft to large accounts.

Other opportunities can be addressed as ancillary items.

If both sides in fact see this as a mutual, major opportunity, the key players of Microsoft will make the decision, i.e., Gates, Steve Ballmer and Mike Maples.

- In principle, Maples should not be a major player, being formally in charge of product development.

- However, given the fact that Maples once had Ballmer's job (in charge of sales and marketing) and vice-versa, they will be equal players

- Bob Herbold, the new COO from Proctor & Gamble, is unlikely after two months to have gotten established enough to have a significant voice in the proceedings. His formal responsibilities are mainly internal and operational.

Special mention should be made of Bob McDowell. He was formerly in charge of education and consulting, and was recently promoted to be in charge of getting Microsoft into large enterprises; this is consistent with and an expansion of his prior formal role. In this new role he would be the natural entry point for EDS (but not the decision point).

Exhibit IV-1

MICROSOFT'S NEW/EXPANDED OFFERINGS:
PARTNERING OPPORTUNITIES

New/Expanded Offering	Requirements for Microsoft Success	Partnering Opportunity
Enterprise-wide Software	• New products	Advisory
	• Current products: Expanded features	Advisory
	• Product integration (Microsoft; non-Microsoft)	Possible
	• Sales channels	Yes
	• Customizing and installation	Yes
	• Support	Yes (see below)
Enterprise Software Support	• Value-added feature/functions	Advisory
	• Design for maintainability	Possible
	• Object-based construction	Possible
	• Product support	Possible
	• Enterprise outsourcing sup port	Yes
	• Desktop support	Yes
Middleware Frameworks	• Additional products	Advisory
	• Current products: Additional developer features	Advisory
	• Product quality/stability	Advisory
	• Terms and conditions	Advisory
	• Beta test	Yes
	• Reference customer	Yes
Information Products	• Useful content	Advisory
	• Proprietary content	Yes
	• Distribution	Yes
	• Economic model (suppliers; customers)	
	• Link to Microsoft offerings	
	• Link to applications	Yes
Financial Transaction Processing	• Electronic commerce	Yes
	• Security	Possible
	• Business process reengineering	Yes
	• Links with financial intermediaries	Yes

Source: INPUT Assessment

Exhibit IV-2

Microsoft "Market Space"
(Schematic)

Unit
Price*

1985	1990	1995	2000

Typical Customer Size (People)
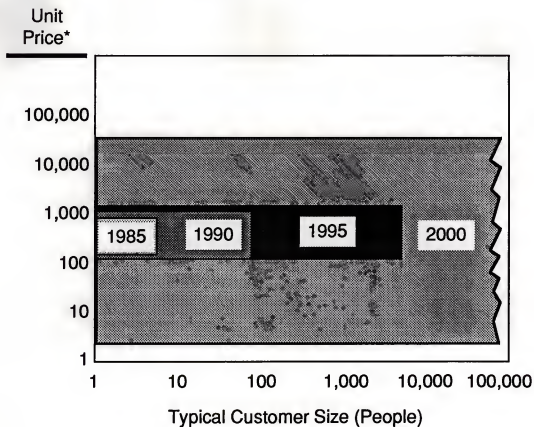
* Single unit "street price"
(does not include OEMs, volume discounts)

INPUT

Exhibit IV-3

EDS "Market Space"
(Schematic)

INPUT

34

Exhibit IV-4

"Market Space":
EDS and Microsoft
(Schematic)

Unit Price vs. Customer Size (Number of People)

Unit Price axis (top to bottom): $10B, $1B, $100M, $10M, $1M, $100K, $10K, $1K, $100, $10, $1

Upper block labels: 2000, 1995, 1990, 1985

Lower block labels: 1985, 1990, 1995, 2000

Customer Size (Number of People) axis: 1, 10, 100, 1,000, 10,000, 100,000
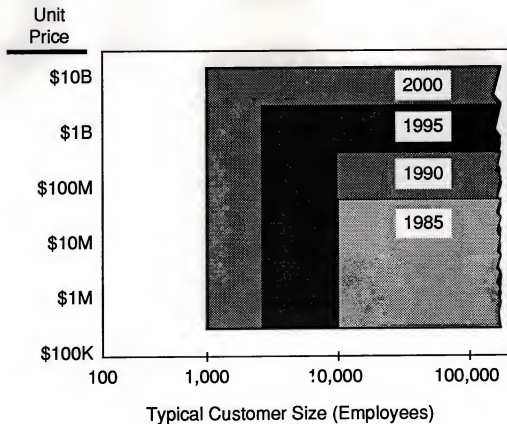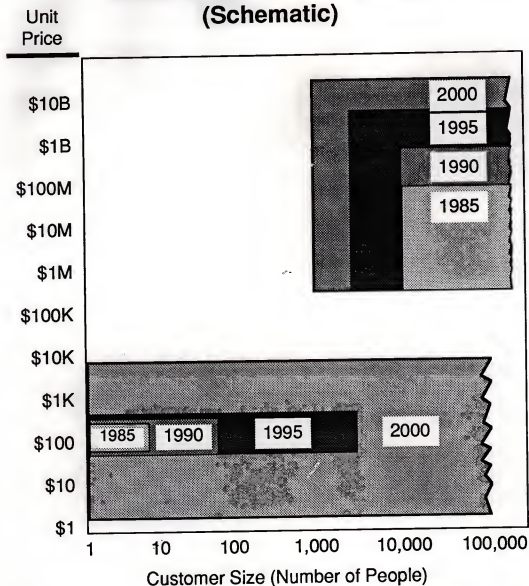
INPUT

Exhibit IV-5

EDS OPPORTUNITIES: ATTRACTIVENESS

New/Expanded Offering	Requirements for Microsoft Success	EDS Opportunity
Enterprise-wide Software	• New products	
	• Current products: Expanded	
	• features	
	• Product integration (Microsoft; non-Microsoft)	Medium
	• Sales channels	Medium/High
	• Customizing and installation	High
Enterprise Software Support	• Value-added feature/functions	Medium
	• Design for maintainability	
	• Object-based construction	
	• Product support	
	• Enterprise outsourcing support	High
	• Desktop support	High
Middleware Frameworks	• Additional products	
	• Current products: Additional developer features	
	• Product quality/stability	
	• Terms and conditions	
	• Beta test	Medium
	• Reference customer	Medium
Information Products	• Useful content	Medium
	• Proprietary content	
	• Distribution	
	• Economic model (suppliers; customers)	
	• Link to Microsoft offerings	
	• Link to applications	Medium/High
Financial Transaction Processing	• Electronic commerce	Medium/High
	• Security	
	• Business process reengineering	High
	• Links with financial intermediaries	Medium/High

Source: INPUT Assessment

ORDER/INVOICE/FULFILLMENT

CUSTOMER/INVOICE TO

ORIGINATOR (Signature) _____ DATE 2/8/95

Company _EDS_

Name Mr./Ms. _Barry Sullivan_

Position _Corp VP_

Address _5400 Legacy Dr_

City _Plano TX_

Province _____

Phone _214-605-6500_

CA Tax Rate _____

CT Tax 8% _____

Salutation _____

State _TX_

Zip _75024_

Country _____

Fax _214-605-6502_

Tlx _____

APPROVALS

_____
VP Sales/Res.

_2/8/95_
Date

_____
Controller

_____
Date

Kathleen

Special instructions for invoicing, progress billing, or delayed payments, etc.
Standard - ½ up front (They are cutting check now)

ORDER

Contract Year Beg. _____
End _____

☐ New Order (N1) ☐ Prior Yr (N3)
☐ Renewal (N2) ☐ Cancel

Invoice ☐ Fulfillment Only
Type ☐ W/Order (OR)
☐ Monthly (MO)
☐ Quarterly (QT)
☐ Pending

Employee # Sold by:	
TOP	_50_%
PAC	_50_%
	___%

Employee # Commission to:	
	___%
	___%
	___%

CLIENT AUTH.

PO#_____

INPUT Contract ☐ Letter ☐ Verbal ☐

Attach all authorizing documents to white (contract) copy.

SHIP TO

Company_____
Name Mr./Ms._____
Position_____
Address_____
City_____

Province_____
Salutation_____
State_____
Zip_____
Country_____
Phone_____

ITEM TYPE

- Subscription (SB)
- Custom (YC/ZC/KC)VC
- Multiclient (MC)
- Reports (RP)

- Copies (CP)
- Consult/Present (PR)
- Newsletter (NL)
- Reimbursed Costs (EX)

- Merger/Acq. (ME)
- Exec Overview (EO)
- Conf/Seminar (CN)

DETAIL

Indicate US, UK, FR, VA	Prod. ID/Year	Item Type Code	Item Description or Title	Quantity	Price	Shipped By	Date
US	YNE02	YC	Microsoft Profile		28,000		
			+ 4h exp				

Fulfillment to be completed in: ☐ Corporate ☐ London ☐ Virginia ☐ France ☐ Other _____

PROJECT SCHEDULE (Q1-1995)

*Corporate Week **Ending Date †Working Days; ( ) UK

INPUT*

Activity	Name	Act. Days	Factor	ESDs	JANUARY				FEBRUARY				MARCH				
					1* 1/6** 4†	2 1/13 5	3 1/20 5	4 1/27 5	5 2/3 5	6 2/10 5	7 2/17 5	8 2/24 4 (5)	9 3/3 5	10 3/10 5	11 3/17 5	12 3/24 5	13 3/31 5
Researc				17½						2	6	6	3½				
TOTAL PLAN SR.																	
TOTAL PLAN RA																	
TOTAL PLAN ESDs																	
TOTAL SPENT SR.																	
TOTAL SPENT RA																	

Dept/Proj. Code: _____ Activity/Project Name: YNENL _____ Prepared by: _____

Proj. Manager: _____ Date: _____ Page ____ of ____

PLG 300/03 9/94 (R)

Project Work Statement

Prepared by (print): TR	Date: 2/8

Project Title: Microsoft Profile	Project Code: YNED2
Client Name*: EDS	Project Manager: TR

Project Source:☐ Program ☐ Multi-Client ☑ Custom ☐ Other

Project Type: ☑ Report ☐ Presentation ☐ Other

Initiation Date: 2/8	Begin Production:
Midpoint Review:	Shipping Date: 3/8
First Draft Due:	

Resources Required: 17 £ ESD

Level of Effort (number of days): Consultant 13   R/A 3½

Source: (Internal)/External (specify):

Contract Value ($ £ ¥ 28,000	Reimbursable Expenses: ☐ No ☑ Yes

Expense Budget: $ £ ¥ 4,000
  To Cover: Travel: ✓   Telephone: ✓
  Report Preparation: ✓   Other: ✓

Project Description: Mainly from public sources, assess Microsoft's strategy esp as it affects partnering & svcs. Identify EDS opportunities

* Attach list for Multi-Clients   **For Custom and Multi-Client Projects